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CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM

ALEXANDRIA, LOUISIANA

DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-16-04

**CITY OF ALEXANDRIA EMPLOYEES'
RETIREMENT SYSTEM**

DECEMBER 31, 2003

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Alexandria Employees'
Retirement System

We have audited the accompanying financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System (a pension trust fund of the City of Alexandria, Louisiana) and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial status of the City of Alexandria Employees' Retirement System, as of December 31, 2003, and the change in financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, City of Alexandria Employees' Retirement System, effective January 1, 2003, adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees'
Retirement System

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2003, on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's discussion and Analysis and other required supplementary information on pages 3 through 6 and 13 through 16 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Payne, Moore & Herrington, LLP
Certified Public Accountants

April 22, 2004

**REQUIRED SUPPLEMENTAL INFORMATION
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2003. Please read it in conjunction with the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the System's financial statements, required supplemental information, and the supporting schedules as described below:

- The **Statement of Plan Net Assets** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2003.
- The **Statement of Changes in Plan Net Assets** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.
- The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.
- The **Required Supplemental Information – Part II**, including the *Schedule of Funding Progress*, the *Schedule of Employer Contributions*, and the *Notes to the Required Supplemental Information*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due.
- The **Additional Information** is presented for the purposes of additional analysis and is not a required part of the financial statements.

FINANCIAL ANALYSIS

To begin our financial analysis, a summary of the System's Plan Net Assets is presented below:

Condensed Statements of Plan Net Assets			
	<u>2003</u>	<u>2002</u>	<u>Change</u>
Assets			
Cash	4,197,886	2,145,948	2,051,938
Receivables	463,108	653,234	(190,126)
Investments, at fair value	65,462,020	59,696,905	5,765,115
Fixed assets, net	<u>43</u>	<u>1,221</u>	<u>(1,178)</u>
Total Assets	70,123,057	62,497,308	7,625,749
Liabilities	<u>(480)</u>	<u>(420)</u>	<u>(60)</u>
Plan Net Assets	70,122,577	62,496,888	7,625,689

As the above table shows, Plan Net Assets increased by \$7,625,689, primarily due to improved financial markets. Explanations of the more significant changes in individual asset categories are presented below:

- **Cash** – During 2003, a substantial part of the System's fixed income portfolio either matured or was called due to a sharp reduction of interest rates nationally. With the volatility of the various investment markets and lower rate of interest available, the System was forced to carry a much higher cash balance while seeking to invest it.
- **Receivables** – A substantial part of the System's higher interest rate fixed income portfolio either matured or was call during 2003. The replacement fixed income securities pay interest at a lower rate resulting in a lower accrued interest income at the end of 2003 as compared to 2002.
- **Investments** – The increase in the fair value of investments is reflective of the change in the market environment at the end of the fiscal year and demonstrates the increase in market value of securities, as compared to the depressed state of the market at the end of the previous fiscal year. For the year ended December 31, 2003, the System had a market return of 14.9% on its investments. For the current and proceeding 10 year period, the System had a rate of return on its investments that consistently placed it among the highest rates of return when compared to some twelve other public systems in Louisiana.

A summary of Changes in Plan Net Assets is presented below:

Condensed Statements of Changes in Plan Net Assets

	<u>2003</u>	<u>2002</u>	<u>Change</u>
Additions			
Employer contributions	2,734,983	2,490,139	244,844
Member contributions	1,427,678	1,477,849	(50,171)
Net investment income (loss)	<u>9,189,449</u>	<u>(3,535,210)</u>	<u>12,724,659</u>
Total Additions	13,352,110	432,778	12,919,332
Deductions			
Benefits	5,002,627	5,070,993	(68,366)
Refunds	248,849	233,515	15,334
Transfers to other systems	340,563	-	340,563
Administrative expenses	<u>134,382</u>	<u>120,018</u>	<u>14,364</u>
Total Deductions	<u>5,726,421</u>	<u>5,424,526</u>	<u>301,895</u>
Net Increase (Decrease) in Plan Net Assets	7,625,689	(4,991,748)	12,617,437

This table indicates that plan net assets increased by \$7,625,689 during 2003 compared to a decrease in plan net assets during 2002, for an improvement \$12,617,437, primarily due to the improved financial markets. Explanations of significant changes are discussed below:

- **Employer contributions** – Employer contributions increased as a result of the actuarially required employer contribution rate increasing from 16.75% in 2002 to 19.24% in 2003.
- **Member contributions** – Member contributions are set by state statute at 10% of earnings. The decline in member contributions during 2003 was due in part to a general decline in numbers of persons employed, as well as to the start of the DROP program during which participating employees do not contribute to the System, though employer contributions are continued.

- **Investment income** – Changes in the net investment income resulted primarily from the positive change in the investment market.
- **Transfers to other systems** – The most meaningful change in deductions from plan assets come from “transfers to other systems”. This reflects the transfer of employer and member amounts plus interest thereon, which is mandated by state statute when an employee leaves one State of Louisiana public body to become employed in another Louisiana public body. The statute provides for a degree of portability among systems for employee service. The transfer of funds is mandated whenever an employee requests such action. Transfers under such conditions are, at times, not anticipated by the System, and can result in unexpectedly large amounts.

OTHER INFORMATION

The DROP program is explained in the notes to the financial statements. At December 31, 2003, there was an accrued amount owed participants in the amount of \$651,167. These amounts are permitted by statute to accrue to the participants for a period not to exceed 36 months. The time of payment of these amounts is determined by the participant and is subject to payment at anytime during the 36 month participating period. Hence, a greater than usual amount of cash must be maintained by the System to provide for payment of these amounts as requested. This will have an impact on the investment methods and returns of the System from year to year. The amounts are expensed on the books of the System when paid to the participant, as required by accounting standards generally accepted in the United States of America.

The actuarially required employer contribution rate for the retirement system as determined by the system's actuary for the fiscal year May 1, 2004 to April 30, 2005 is 25.23%. For the fiscal year May 1, 2005 through April 30, 2006 the rate is 27.60%. The Board of Trustees of the retirement system has set the above rates for those periods, as recommended by its actuary.

REQUEST FOR INFORMATION

This financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, Louisiana 71309.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2003**

EXHIBIT A

ASSETS

Cash		\$ 4,197,886
Accrued interest and dividends receivable		463,108
Investments, at fair value:		
Corporate bonds (amortized cost \$16,683,837)	17,717,804	
U.S. treasury obligations (amortized cost \$199,194)	207,563	
Zero coupon treasury receipts (amortized cost \$3,211,710)	4,505,886	
GNMA notes (amortized cost \$179,817)	239,320	
U.S. government agency notes (amortized cost \$6,641,692)	6,688,549	
Corporate stocks		
Preferred stocks (cost \$2,373,375)	2,347,670	
Common stocks (cost \$29,216,133)	<u>33,755,228</u>	
Total Investments (cost \$58,505,758)		65,462,020
Furniture, fixtures, and equipment, net of depreciation		<u>43</u>
Total Assets		70,123,057

LIABILITIES

Payroll taxes withheld		<u>480</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

<u>(A schedule of funding progress is presented on page 14)</u>		<u>\$70,122,577</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED DECEMBER 31, 2003**

EXHIBIT B

ADDITIONS

Contributions		
Employer		\$ 2,734,983
Plan members		<u>1,427,678</u>
Total Contributions		4,162,661
Investment income		
Interest		1,827,443
Dividends		638,927
Net appreciation (depreciation) in fair value of investments		<u>6,723,079</u>
Total Investment income (loss)		<u>9,189,449</u>
Total Additions		13,352,110

DEDUCTIONS

Plan benefits		5,002,627
Employee refunds		248,849
Transfers to other systems		340,563
Administrative expenses		<u>134,382</u>
Total Deductions		<u>5,726,421</u>

NET INCREASE (DECREASE)	7,625,689
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>62,496,888</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, <u>END OF YEAR</u>	<u>\$ 70,122,577</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

1. PLAN DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana in conformity with accounting principles generally accepted in the United States of America.

Plan Description

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 2003, System membership consisted of:

Current employees	
Vested	294
Nonvested	220
DROP participants	16
Terminated members due future benefits	4
Terminated members not due future benefits	109
Retirees and survivors currently receiving benefits	<u>332</u>
Total	975

The following brief description of the System is provided for general information only.

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. (Average compensation is defined as the highest three year average annual compensation.)

Disability Benefits - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire are entitled to automatic option 2 benefits.

Deferred Retirement Option Plan - In lieu of terminating employment and accepting a service retirement allowance, any member of the system who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the plan, active membership in the system terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the system. Such funds will be invested in accordance with a policy adopted by the board of trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the system. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

Significant Accounting Policies

Change in Accounting Principles – Effective January 1, 2003, the System adopted the provisions of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement 38, *Certain Financial Statement Note Disclosures*, issued by the Governmental Accounting Standards Board. Adoption of these statements did not change the financial reporting previously required by accounting principles generally accepted in the United States of America; these statements did require the inclusion of a management discussion and analysis as required supplementary information.

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investments - Statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset, as applicable. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name (GASB Category 1).

All investments are held by the system or its agent in the system's name.

3. FURNITURE, FIXTURES, AND EQUIPMENT

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	Balance 1/1/03	Additions	(Deletions)	Balance 12/31/03
Furniture and fixtures	\$ 4,137	\$ -	\$ -	\$ 4,137
Computer equipment	10,292	-	-	10,292
Total	\$ 14,429	\$ -	\$ -	14,429
Accumulated depreciation				14,386
Net				\$ 43

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2003 amounted to \$1,178.

**REQUIRED SUPPLEMENTAL INFORMATION
PART II**

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
(in thousands of dollars)

SCHEDULE 1

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Frozen Entry Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
12/31/98	55,151	75,371	73.2%	20,220	13,393	151.0%
12/31/99	62,301	82,642	75.4%	20,341	14,231	142.9%
12/31/00	67,268	87,647	76.7%	20,379	13,690	148.9%
12/31/01	68,892	89,248	77.2%	20,356	14,500	140.4%
12/31/02	66,448	86,593	76.7%	20,145	15,196	132.6%
12/31/03	66,317	86,179	77.0%	19,862	14,639	135.7%

See independent auditor's report and notes to the required supplemental information on page 12.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

SCHEDULE 2

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/1998	2,450,850	100%
12/31/1999	2,527,803	100%
12/31/2000	2,479,254	100%
12/31/2001	2,414,828	100%
12/31/2002	2,490,139	100%
12/31/2003	2,734,983	100%

See independent auditor's report and notes to the required supplemental information on page 12.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/03
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method	Common stock values were determined by using a three year smoothing of realized and unrealized capital losses. For all other assets, amortized cost was used.

Actuarial assumptions:

Investment rate of return	8.0%
Projected salary increase	5.5%
Includes inflation at	3.25%
Includes merit raises at	2.25%
Cost-of-living adjustments	None

See independent auditor's report.

ADDITIONAL INFORMATION

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2003**

SCHEDULE 3

CASH RECEIPTS

Employer contributions	\$ 2,734,983
Member contributions	1,427,678
Interest received	2,021,719
Dividends received	634,774
Proceeds from sale or redemption of investments	<u>15,408,983</u>
Total Cash Receipts	22,228,137

CASH DISBURSEMENTS

Plan benefits	5,343,190
Refunds of contributions	248,849
Administrative expenses	133,142
Purchase of investments	<u>14,451,018</u>
Total Cash Disbursements	<u>20,176,199</u>

NET INCREASE (DECREASE) IN CASH	2,051,938
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CASH, BEGINNING OF YEAR	<u>2,145,948</u>
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<u>CASH, END OF YEAR</u>	<u>\$ 4,197,886</u>
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See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - CORPORATE BONDS
DECEMBER 31, 2003**

**SCHEDULE 4
(Continued)**

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Aetna, Inc.	08/15/23	7.250%	200,000	197,950	221,854
Atlantic Richfield	03/01/32	8.750%	100,000	100,000	138,329
Atlantic Richfield	02/01/22	8.250%	200,000	200,000	252,257
Bell South	10/15/33	6.750%	500,000	500,000	513,080
Citigroup Inc	10/31/33	6.000%	500,000	500,000	499,811
Coca Cola Enterprises	09/15/22	8.000%	300,000	300,000	375,785
Coca Cola Enterprises	09/15/28	6.750%	500,000	497,240	556,096
Consolidated Edison Company	02/15/29	7.125%	300,000	298,907	305,017
Dow Chemical	04/01/21	9.000%	135,000	134,902	169,137
E I duPont deNemours	03/15/04	8.125%	100,000	99,988	101,292
Eastman Kodak	06/01/21	9.200%	115,000	113,826	126,314
Ford Motor Company	09/15/11	9.500%	200,000	199,902	236,536
Ford Motor Company	07/16/31	7.450%	500,000	500,000	501,032
Ford Motor Company	07/16/31	7.450%	600,000	596,711	601,238
Ford Motor Company	11/15/25	7.125%	500,000	500,000	486,098
Ford Motor Company	01/15/22	8.875%	300,000	298,150	336,183
General Motors	07/15/21	9.400%	300,000	298,870	367,797
General Motors	04/15/16	7.700%	500,000	500,000	556,094
General Motors	09/01/25	7.400%	625,000	622,266	652,437
General Motors	07/15/33	8.375%	500,000	497,583	569,304
GMAC	11/01/31	8.000%	1,000,000	980,714	1,101,622
Goldman Sachs Group I	02/15/33	6.125%	250,000	250,000	251,099
Goldman Sachs Group I	02/15/33	6.125%	500,000	498,792	502,199
GTE - California, Inc.	04/15/24	8.070%	200,000	200,000	208,927
GTE Corp	04/15/18	6.840%	500,000	495,188	544,497
GTE Corp-Verizon	04/15/28	6.940%	500,000	504,796	524,602
GTE Florida, Inc	10/15/25	7.250%	1,000,000	1,000,000	1,077,786
Jersey Central Power & Light Company	11/01/25	6.750%	300,000	297,704	302,288
K-Mart	02/01/23	7.950%	250,315	250,315	173,969
Mobil Oil	08/15/21	8.625%	100,000	99,400	133,827
Morgan Stanley Group	02/01/24	7.500%	200,000	199,317	208,182
New England Telephone & Telegraph	10/01/23		300,000	295,500	309,152
New Jersey Bell Telephone Company	12/15/24	6.800%	200,000	196,000	204,907
New York Telephone Company	08/15/25	7.000%	200,000	198,815	205,330
New York Telephone Company	02/15/24	7.250%	100,000	99,227	103,485
New York Telephone Company	02/15/24	7.250%	100,000	99,231	103,485
New York Telephone Company	08/15/25	7.000%	200,000	196,809	205,330
Ohio Power Company	07/15/33	6.375%	290,000	289,299	301,582
Pacific Bell Telephone Company	08/15/23	6.875%	200,000	195,979	201,676
Pacific Bell Telephone Company	08/15/23	6.875%	200,000	197,833	201,676
Pacific Gas & Electric	03/01/26	7.250%	200,000	197,395	207,260
Pacific Gas & Electric	08/01/26	7.250%	100,000	99,913	102,500
Potomac Edison	12/01/22	8.000%	300,000	299,287	309,502
Potomac Edison	12/01/22	8.000%	200,000	196,933	206,334
Potomac Edison	06/01/24	8.000%	100,000	99,355	102,200
Sears Roebuck	11/01/11	9.375%	250,000	250,000	261,303
Sears Roebuck Acceptance	09/18/07	6.700%	500,000	500,000	543,882
Southern California Edison	07/15/25	7.125%	200,000	195,463	204,500

See independent auditor's report.

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - CORPORATE BONDS
 DECEMBER 31, 2003

SCHEDULE 4
(Concluded)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Southern California Edison	07/15/25	7.125%	200,000	201,040	204,500
Stanley Works	03/01/04	5.750%	750,000	750,000	754,011
U. S. West Communications	06/15/23	7.500%	200,000	198,292	201,000
U. S. West Communications	09/15/33	6.875%	200,000	194,945	189,500
<u>TOTALS</u>			<u>\$ 16,765,315</u>	<u>\$ 16,683,837</u>	<u>\$ 17,717,804</u>

CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - U.S. TREASURY OBLIGATIONS
 DECEMBER 31, 2003

SCHEDULE 5

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
U.S. Treasury Note	8/15/2004	7.250%	200,000	199,194	207,563
<u>TOTALS</u>			<u>\$ 200,000</u>	<u>\$ 199,194</u>	<u>\$ 207,563</u>

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
 INVESTMENTS - ZERO COUPON TREASURY RECEIPTS
 DECEMBER 31, 2003**

SCHEDULE 6

Description	Maturity Date	Yield	Face Value	Amortized Cost	Fair Value
Zero Coupon Treasury Receipt	11/15/12	8.616%	790,000	439,410	691,329
Zero Coupon Treasury Receipt	08/15/04	8.440%	689,768	645,010	683,631
Zero Coupon Treasury Receipt	08/15/14	8.661%	1,013,000	489,580	820,417
Zero Coupon Treasury Receipt	08/15/15	7.940%	516,000	208,644	293,152
Zero Coupon Treasury Receipt	02/15/17	8.300%	3,000,000	1,031,732	1,543,125
Zero Coupon Treasury Receipt	06/01/17	7.000%	1,000,000	397,334	474,232
<u>TOTALS</u>			<u>\$ 7,008,768</u>	<u>\$ 3,211,710</u>	<u>\$ 4,505,886</u>

Yield represents yield to maturity.

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - GNMA NOTES
DECEMBER 31, 2003**

SCHEDULE 7

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 92,129	\$ 75,309	\$ 102,512
GNMA Notes	9.50%	38,026	33,149	42,486
GNMA Notes	10.00%	36,928	34,667	41,469
GNMA Notes	10.50%	8,828	6,969	9,951
GNMA Notes	11.00%	4,260	3,693	4,736
GNMA Notes	11.50%	5,269	4,155	5,951
GNMA Notes	12.00%	5,204	4,030	5,917
GNMA Notes	12.50%	16,177	14,272	18,397
GNMA Notes	13.00%	463	397	521
GNMA Notes	13.50%	2,176	1,637	2,464
GNMA Notes	14.00%	4,319	1,539	4,916
<u>TOTALS</u>		<u>\$ 213,779</u>	<u>\$ 179,817</u>	<u>\$ 239,320</u>

All of the above are monthly principal reduction notes, with final maturity scheduled on various dates.

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - U.S. GOVERNMENT AGENCY NOTES
DECEMBER 31, 2003**

SCHEDULE 8

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
FFCB Notes	03/12/04	5.625%	\$ 1,000,000	\$ 1,000,000	\$ 1,008,680
FHLMC Note	07/27/04	6.500%	1,500,000	1,500,000	1,535,077
FHLB Bonds	08/19/09	7.115%	1,300,000	1,300,000	1,343,004
FNMA Note	08/14/17	6.000%	250,000	250,000	250,328
FNMA Note	08/21/17	6.000%	250,000	249,675	250,274
FHLB Note	08/23/17	6.050%	250,000	250,000	251,557
FHLMC Note	08/28/17	6.000%	400,000	400,000	400,259
FHLMC Note	12/12/17	5.500%	750,000	750,000	735,446
FHLMC Note	06/12/13	4.000%	150,000	147,806	138,843
FHLB Note	01/24/11	4.010%	150,000	150,000	143,861
FHLMC Note	07/29/16	5.000%	150,000	149,596	143,522
FHLB Note	07/30/15	4.770%	150,000	149,615	142,698
FHLB Note	12/31/18	6.000%	345,000	345,000	345,000
<u>TOTALS</u>			<u>\$ 6,645,000</u>	<u>\$ 6,641,692</u>	<u>\$ 6,688,549</u>

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - PREFERRED STOCK
DECEMBER 31, 2003**

SCHEDULE 9

Description	Number of Shares	Cost	Fair Value
Alabama Power Company	4,000	\$ 104,200	\$ 101,760
Bell South	7,000	185,330	182,140
Entergy Arkansas	5,000	139,250	133,600
General Electric Capital Corporation	2,500	68,500	66,675
General Motors	17,500	440,000	456,100
Georgia Power Capital Trust V	2,500	66,725	67,325
Regions Financial Trust I	12,500	354,750	342,250
SBC Communication	12,000	321,370	321,120
Southern Co Capital Trust	5,000	142,200	137,200
Suntrust Capital IV	5,000	140,250	133,250
Virginia Power Capital	5,000	143,000	138,150
Wells Fargo	10,000	267,800	268,100
<u>TOTALS</u>		<u>\$ 2,373,375</u>	<u>\$ 2,347,670</u>

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - COMMON STOCKS
DECEMBER 31, 2003**

**SCHEDULE 10
(Continued)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Agilent Technologies	4,007	\$ 152,154	\$ 117,165
Allstate Corp.	2,000	102,794	86,040
America On-Line	11,500	613,871	206,885
American Express Co.	25,000	1,057,376	1,205,750
Amgen, Inc.	9,000	497,683	556,110
Anheuser Busch Company	6,000	96,014	316,080
AT&T Corporation	750	53,942	15,225
AT&T Wireless Services	1,206	37,841	9,636
Bank of America	6,000	469,410	482,580
Baxter International	5,000	159,630	152,600
BellSouth Corporation	8,500	373,346	240,550
BP Amoco PLC ADR	18,000	761,141	888,300
Bristol Myers Squibb	25,000	726,647	715,000
Central LA Electric Company	24,000	333,678	431,520
Chevron Texaco	10,000	721,501	863,900
Cisco Systems, Inc.	19,000	638,419	460,370
Coca Cola Company	7,000	312,385	355,250
Comcast Corp.	1,213	77,595	39,774
Consolidated Edison	4,000	165,826	172,040
Corning, Inc.	13,000	569,028	135,590
Deere & Co.	7,000	416,612	455,350
Del Monte Foods Co.	4,466	29,465	46,446
Dell Computer Corp.	10,000	273,574	339,800
Dominion Resources	6,000	375,450	382,980
Dow Chemical	10,000	300,210	415,700
DTE Energy	4,000	162,962	157,600
Electronic Data System	400	1,769	9,816
Eli Lilly and Company	7,000	259,095	492,310
EMC Corporation	12,500	577,227	161,500
Emerson Electric Company	13,000	438,751	841,750
Entergy		96,927	114,260
Exxon Mobil	20,000	454,920	820,000
Federal Home Loan Mortgage Corporation	5,000	270,619	291,600
Federal National Mortgage Corp.	10,000	637,900	750,600
Fluor Corporation	6,000	260,667	237,840
FPL Group	6,000	381,835	392,520
General Electric Company	60,000	459,297	1,858,800
Gillette Company	15,000	575,142	550,950
H. J. Heinz Company	10,000	271,810	364,300
Hershey Foods Corp.	6,000	214,320	461,940
Hewlett-Packard Co.	15,000	344,985	344,550
Home Depot, Inc.	25,000	943,184	887,250
IMS Health	3,000	62,444	74,580
Intel Corporation	16,000	205,184	512,800
International Business Machines	24,000	497,836	2,224,320

See independent auditor's report.

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
INVESTMENTS - COMMON STOCKS
DECEMBER 31, 2003**

**SCHEDULE 10
(Concluded)**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
JDS Uniphase Corporation	13,500	750,145	49,140
Johnson & Johnson	15,000	549,524	774,900
Kaiser Aluminum Corp.	20,000	233,039	1,700
Kraft Foods, Inc.	3,500	133,280	112,770
Lucent Technologies, Inc.	10,000	60,858	28,400
Massey Energy Co.	6,000	102,808	124,800
McData Corporation	276	9,615	2,637
McDonalds Corporation	10,000	219,409	248,300
MCI Group - Worldcom, Inc.	1,020	18,499	51
Medco Health Solution	1,206	13,102	40,992
Medtronic, Inc.	16,000	222,049	777,760
Merck & Company	15,000	448,494	693,000
Merrill Lynch & Co., Inc.	8,500	536,389	498,525
Motorola, Inc.	35,000	473,768	492,450
Nokia Corporation	4,000	66,810	68,000
Nortell Networks Corp.	8,500	143,304	35,955
OGE Energy	4,000	83,732	96,760
Oracle Systems Corp.	13,500	240,302	178,605
PepsiCo, Inc.	20,500	734,201	955,710
Pfizer	53,746	1,077,715	1,898,846
Qwest Comm. Intl. Inc.	10,000	268,561	43,200
Raytheon Co.	1,008	30,074	30,280
Readers Digest Association	6,000	275,456	87,960
SBC Communications	25,212	598,766	657,277
Schering-Plough	10,000	156,830	173,900
Schlumberger, Ltd.	7,000	229,026	383,040
Southern Company	10,000	295,766	302,500
Sun Microsystems, Inc.	40,000	204,907	178,800
Target Corporation	5,000	179,111	192,000
Tenet Healthcare Corp.	12,000	511,622	192,600
Texas Instruments, Inc.	15,000	304,946	440,700
The Healthcare Co.	7,500	307,891	322,200
Tidewater, Inc.	11,000	411,273	328,680
Verizon Communications	12,200	446,536	427,976
W.M. Wrigley Company	10,000	221,048	562,100
Walgreen Company	10,000	342,272	363,800
Walt Disney Co.	25,000	617,617	583,250
Weyerhaeuser Company	4,000	142,694	256,000
Whitney Holding Corp.	10,000	298,527	409,900
Winn-Dixie Stores, Inc.	10,000	366,637	99,500
World Com, Inc.	25,500	457,064	337
<u>TOTALS</u>		<u>\$ 29,216,133</u>	<u>\$ 33,755,228</u>

See independent auditor's report.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
City of Alexandria Employees'
Retirement System

We have audited the financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Alexandria Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alexandria Employees' Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees'
Retirement System

This report is intended for the information of the Board of Trustees, management of the City of Alexandria Employees' Retirement System, and the Legislative Auditor's Office of the State of Louisiana. This report is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP
Certified Public Accountants

April 22, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF ALEXANDRIA EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Reportable conditions identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
<i>Management's Summary Schedule of Prior Audit Findings</i>	Not Applicable
<i>Management's Corrective Action Plan</i>	Not Applicable
<i>Other Comments and Recommendations</i>	Not Applicable

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Not applicable.